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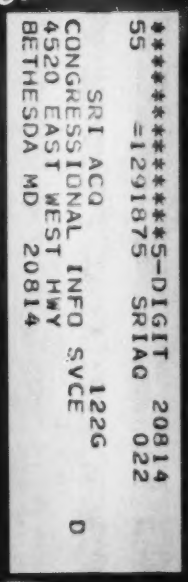
INFOSYSTEMS

John Diebold on IS in Midsize Companies:

"The importance of information technology . . . is no less applicable for the small to midsize company than for the corporate giant."

A New Data Entry Era



HP's RISC • Ada & the Mini Makers

Third-Party Maintenance • DBMS Tools

Changing the PC Standard

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Myles E. Walsh
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CBS Records
New York, NY

Circulation
Group Circulation Manager: Ellen Cowles
Circulation Supervisor: Carol Tratar
Asst. Circulation Supervisor: Karen Johnson
Send subscription information to
INFOSYSTEMS
Hitchcock Publishing Co.
PO Box 3007
Wheaton, IL 60189-9933

Editorial Offices
Headquarters: Hitchcock Building
Wheaton, IL 60188, (312) 665-1000
PO Box 337
Brookline, MA 02146, (617) 723-8970
1600 Wootsey St.
Berkeley, CA 94703, (415) 528-1320
Jan Snyders
PO Box 187
Lockport, IL 60441, (815) 485-8862

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President, Loren M. Walsh
Phone: (312) 665-1000 Cable: HITCHPUB
Telex: 72-0404
MCI Mail 220-0783 Easylink 62608100
FAX (312) 462-2225

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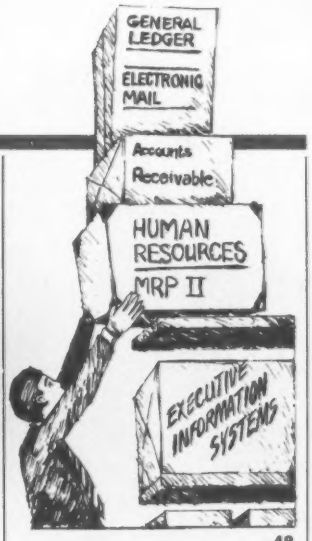

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Cover and inside photos of John Diebold by Maria Parascandolo.

Computer Maintenance: Bypassing Politics

Obtaining support for computer systems is no longer an ordeal wrapped in red tape.

By Mary S. Esparza
Assistant Editor

From mainframes and minis to micros and modems, Sorbus has had its hand in computer maintenance for more than 25 years.

Despite the increased reliability of today's computers, even the best equipment breaks down. Thus, service and support are becoming important in choosing a vendor. Companies that treat service as an afterthought are as obsolete as manual typewriters. Putting an end to the "who repairs what" syndrome, third-party support vendors provide service for most systems, including networks comprising multiple vendors.

According to D.R. Mike MacNaughton, Frost & Sullivan's project director for third-party maintenance activities, this is a critical time for the third-party maintenance (TPM) industry. Frost & Sullivan, New York City, is an international market research company that covers 12 different market areas including the computer industry. "Although [TPM] has weathered computer industry recessions and gained hundreds of new players, it continues to undergo major developmental changes and remains as turbulent as ever," he declares.

MacNaughton points out that manufacturers and maintainers have been forced to recognize TPM's impact on their markets. Consequently, they have had to change their service product offerings to meet the competition of self maintainers. He says we cannot ignore the colossal impact that mergers and acquisitions have had on this industry: Nearly all of the top 10 TPM companies have been affected.

The top five players in the industry are TRW, Sorbus, General Electric/RCA, Intelogic Trace and Control Data. Intelogic Trace was created from the spin off of Datapoint's service operations. Meanwhile, other companies like Memorex are expanding into the third-party arena. "Our expansion is getting deep into the systems 3X market," says Greg R. Grodhaus, Memorex vice president and general manager of the small systems group. "About 20 percent of our revenues come from service."

One reason companies turn to third-party maintenance contractors is cost. At Hitchcock Publishing Co., Wheaton, IL, the recent maintenance contract switch from the original manufacturer to third-party service turned out to be a significant cost savings. In March, Hitchcock signed a maintenance contract with Sorbus; the equipment was previously maintained by IBM.

"Sorbus is about 20 percent less expensive than IBM, and we fall under a master maintenance contract which offers an additional discount," explains Donald Hogan, vice president of information systems (IS) at Hitchcock. "This made it more attractive to us."

Hogan didn't look at other third-party maintenance firms because Sorbus was already servicing other sites for ABC Publishing, of whom Hitchcock is a subsidiary. "We had no misgivings about using [Sorbus]. This service was being used at a different site within the corporation," he says. "We asked about the service and Sorbus got very high marks."

At Hitchcock, Sorbus goes one step further than the original manufacturer by providing preventive maintenance. "They're pulling regular monthly preventive maintenance checks which IBM didn't do," says Hogan. "And the response time has been as good as IBM's."

Economically speaking, the move turned out to be wise, claims Hogan. "Sorbus is more flexible than IBM in cutting deals," he says.

Choosing a vendor. In the early stages of the TPM market, the principal criteria for choosing a vendor was ability to service mixed-vendor hardware. Around 1985 the top concern became the TPM vendor's reputation. During all of this time, however, TPM vendors have almost without exception marketed to prospective users principally on price.

These efforts have not gone unnoticed. Users now are convinced that price is the most important factor in choosing a TPM vendor, according to Input, a computer and communications industry market research firm, Mountain View, CA. In 1986 the significance of the vendor's reputation

Bypassing Politics

decreased in importance and concern, as did response time. Yet to emerge as a critical factor—but one that will be seen emerging swiftly as time goes by—is availability of total systems support to include software services, education and training, and systems upgrades and conversion.

In coming years equipment manufacturers will have an opportunity to put serious pressure on the TPM community by decreasing service prices and relying on low-margin, high-volume operations, claims Input. Similar to all retail-like markets, the TPM market will become a difficult place to survive in, according to Input. The share of the TPM market controlled by independent TPMs will decline from today's 80 percent to 65 percent in 1991, predicts Input. During that time, however, the distribution of that revenue will continue to be concentrated by mergers and acquisition activity that will eliminate many of the medium-size TPMs servicing the market today.

According to Input, the more than $2 billion market generates substantial profits and a lot of controversy. Input's review of the TPM market indicates that at any one moment more than 20 lawsuits are under process. Most aim at resolving disputes between TPMs and manufacturers as to the alleged nonavailability of spare parts, documentation and training on mainstream products.

Independent maintenance. There are almost 700 independent service companies in the nation, according to Bill Patch, vice president of marketing and planning for Sorbus, Frazer, PA. Patch has seen an increase in acceptance of independent maintenance companies among users. "We prefer to use the term independent maintenance company as opposed to third-party. It more accurately reflects our true positioning and what our offering is to a customer," he explains. "Third-party is almost a passe expression these days. It indicates there are three parties involved. Our approach is to be a single-source of support for a customer."

In most cases customers have more than one vendor's hardware, so there's really more than three parties involved, Patch points out. Typically, a customer has a very mixed bag of equipment. The key is that Sorbus is not interested in marketing hardware to the customer. "We're totally independent from any manufacturer and we feel that independent service companies is a more accurate description," he asserts.

In addition to cost and multiple vendor support, nationwide coverage is sought by firms when they enter a contract with a third-party vendor. The mergers that have taken place within the industry seem to be a plus where this is concerned. "More and more customers, both at large and medium-size firms have sites in different locations so they need national coverage," says Patch. "A lot of the acquisitions that are going on are regional companies being absorbed by national companies.

"And we're participating in that. It's a strategic method for growth in the business. Acquiring small companies is necessary for growth."

Covering both the Digital and IBM maintenance arena, Control Data offers a spectrum of services.

Mergers are a definite trend in this industry. "It's going to continue," Patch says. "In fact, over the long haul of, say, five years out, we believe that only people with national capabilities will be major players in the business."

Mergers haven't had any effect on Control Data's business, according to Gary Mertz, vice president of marketing for the Bloomington, MN, firm. "Acquisitions and mergers have had no bearing on the market that we're serving or the competition from other third-party maintainers," he says. "Our product offerings are still directed primarily at serving the DEC and IBM marketplace and also competing with them, more so than competing with the newly formed merging corporations."

Covering all equipment. User surveys and Sorbus' growth indicate an increasing appreciation for independent services. Success in the maintenance field is due largely to the need for someone who can work on various types of equipment, claims Patch. "Diagnosing where the problem is or isolating it to one particular piece of equipment can be a problem if there are different maintenance companies involved," he says. "The company that may have the CPU will come in and point a finger at the memory or the drives or the printer or whatever. Then the person who has the printer will come in and say, no, it's the CPU. We offer one source that covers all that equipment. That's basically what is driving the customers' requirement for one source for maintenance as opposed to many different vendors providing maintenance to a given site."

TPMs can be competitively priced. This is largely due to having no manufacturing overhead or research and development costs that original equipment manufacturer (OEM) service organizations absorb. "That enables us to offer different and flexible service offerings based on the customer's requirement, not on our requirement as a company to try to market more hardware to the customer," Patch says.

The Philadelphia Phillies turned to Sorbus when several of its maintenance contracts were expiring. Jeff D. Eisenberg, IS director, says the Phillies were not happy with the servicing prior to Sorbus, primarily in turnaround and quality. "We gave Sorbus a chance at bat and they hit a home run on the first pitch," he says.

To handle the growing volume of ticket transactions, the Phillies employ a computer system with a terminal network consisting of 21 Lear Siegler ADMs and 25 TeleVideo 950s. "Obviously, it's important that we get maximum uptime from the CRTs," says Eisenberg. Now instead of 15 days, the Phillies get repaired terminals back in fewer than five, he says, adding they are being fixed right the first time.

The switch to Sorbus resulted in a savings of $20 per unit for the Phillies on the annual maintenance contract. Eisenberg says he gladly would have continued to pay the additional money if it had meant better service. "I'm actually getting more service for less money with Sorbus," he says. "For us, Sorbus is batting a thousand."

Quality is key. As equipment is networked, its reliability becomes more crucial. Accordingly, every iteration of a product today has been more reliable. More critical applications run on the equipment. Ironically, at the

same time that reliability is increasing, the need for quality service once that equipment does experience a breakdown is increasing with it.

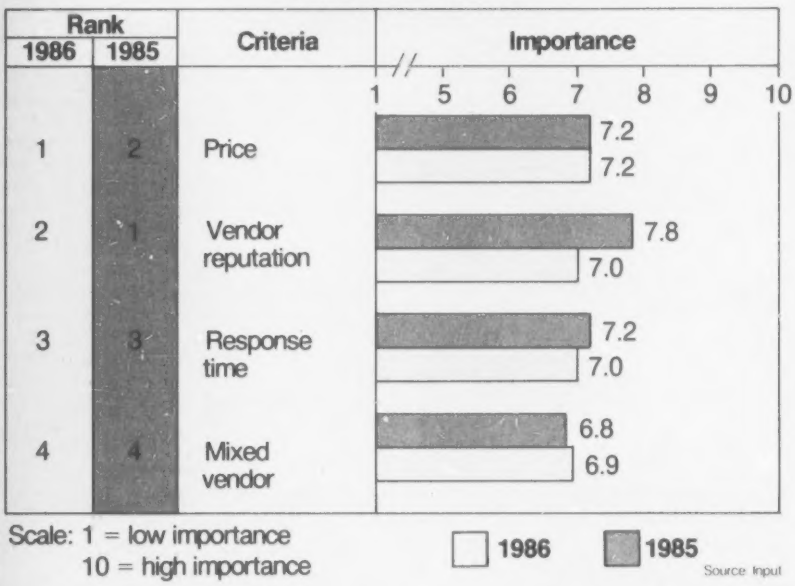
"We see a trend that puts emphasis on high quality of service and mainly availability of equipment," says Sorbus' Patch. "Someone running a data center is really a service function within their own organization. They've got a lot of people who have increasingly more important needs for that equipment. When equipment is down, that customer's main need is to be able to have that equipment available: to do what they want to do with it, when they want to do it."

No longer an afterthought. "Maintenance used to be an afterthought to a lot of people," states Patch. It would get added onto the contract right before the tax got calculated. People really didn't consider maintenance in a lot of their purchasing, he asserts. But this is changing. More users realize that availability is important. And that means having a quality service organization.

Networking demands high-quality maintenance, according to Patch. "One major trend that we're involved with is providing the idea of a single-source for maintenance: not just data processing equipment, but also telecommunications equipment. As these two become merged and PBXs start switching not only voice, but data, the same problem arises for a customer," he says.

Hardware is becoming more reliable, says Control Data's Mertz. Thus, there is less technical involvement on the part of the user organization. "The method of maintenance is becoming more exchange versus repair where it's down to the exchangeable unit within a mainframe," he says. "The type of service offered is modularized. In addition, networks are becoming a more predominant factor. The ability to service networks and multiple vendor's equipment are driving companies to a different mode of service.

Third-Party Maintenance Selection Criteria



"As you drive to new levels of service, investments are going to be made by the larger companies which can leverage that opportunity over a wider base of customers. A company like Control Data is positioned to take advantage of the investments we're going to be making, improving our breadth of product offerings and also our method of delivery of service. The trend is higher reliability."

While studies reveal that the critical mass for survival in the TPM industry has risen sharply, vendors remain optimistic about the future. Even so, analysts believe it is unlikely companies that do not have a national presence will have any significant long-term impact on the market.

"Some of the things going on within the third-party industry will have an effect on the future positions of a number of companies, primarily in the smaller end of the business, the regional and the local maintenance companies," says Mertz. "Technology is driving the maintainability of units to the point where it's becoming more difficult for the smaller or localized companies to really have a competitive advantage in the marketplace."

Mertz believes network maintenance is going to have a large impact in the industry. TPM vendors will not only have to perform maintenance on hardware but also diagnose failures and consult with the customer on the most advantageous configuration, he says. Software services, primarily in software consulting configuration, and performance analysis for the customer are going to be required, adds Mertz.

Image problem resolved. Users are apparently no longer skeptical of third-party service as a quality player in the industry. Not long ago, though, this attitude was at the opposite end of the spectrum. User attitudes today toward third-party are very good, according to Mertz. "If you had asked me the question three years ago, I'd say awareness of third-party was one of the issues that we were wrestling with," he says. "In the past two and a half years, the third-party market has made great strides in improving its image as a quality alternative to the OEM."

While Mertz believes users' reasons for choosing third-party service run in cycles, he declares there are three major reasons for the selection: quality, single point of service, and cost. "First of all, the third-party company must be able to demonstrate a quality of service. Otherwise it won't make any difference in our thinking what the price is or what features and advancements that you may have," he asserts. "You've got to be able to provide a quality level of service that offers a competitive advantage over the OEM. That means typically in today's environment being able to offer the customer more of a single-source solution: a single point of maintenance for the multivendor product which typically resides in any one computer site."

The service has to be cost-effective yet offer value for the money that the user is going to pay. "The customer is paying for the service, the customer deserves good service," Mertz asserts.

"In the past, maintenance has been a box service. If something broke, you called in the manufacturer to fix it. We believe the customer is going to require systems maintenance in the future. That means interaction of multiple vendors, effective in diagnosing of the equipment and so forth to solve the total solution for the customer," says Mertz. (15)